Attachment 1 This note Emailed 7-25-93
Maurice,

In my spare moments, I've thought quite a bit about our first lunchtime conversation. Thanks very much for taking the time to start our relationship. I have a great deal of respect for the work you've done to date. I hope that I can count on you as a peer and sounding board in the future.

I'm a bit concerned about the way that the Well / Point relationship has evolved over the years. Patient venture capital with little requirement for return in the early years is an enormous luxury. I think that it has been easy to take for granted. While Point has a reputation for being patient (almost to the point of neglect) with its investments, it also has a historical record of achieving very high returns over the long haul. Point's track record as a successful philanthropic provider of venture capital includes a long term history of harvesting those investments and applying the gain to other new worthy projects.

I believe that we are moving towards the harvesting part of this relationship. I'd like to suggest that your role should be expanded to include maximizing the Point benefit from that harvest.

I was quite concerned about two particular moments in our conversation.

You suggested that you would be moving to raise capital with the consequence of diluting Point's investment. Obviously, Point would have very strong objections to this plan. I'd propose that there is an alternate solution that raises capital and maximizes the value of our investment. I'd also suggest that it is your responsibility to craft a solution that accomplishes this goal.

You also suggested that there was implicit Point approval of your plans to relocate. As you well know, part of taking control of an organization means a thorough review of existing informal agreements. At the very minimum, I think you need to persuade me of the value of relocation in terms of maximizing Point's investment.

I have no fixed opinion about either of these issues except that my role is to maximize the value of Point's investment. While I have no interest in an antagonistic relationship, I do believe that more fiscal accountability needs to be built into the Well-Point relationship. Point needs to move on to other projects like the Well.

I think that you and I could have a profoundly successful partnership. It needs to be rooted in the fact that I represent a 50% stake in your operation.

While I'm sure that this note will feel like an alarm clock going off too early, let me assure you of something. I will aggressively support you as long as your plans include maximizing the return to your stockholders. I am very open to any decision that I am persuaded will help achieve this end.

John Sumser

5. Point Plans for August
   a. Design and acquire the Catalog publishing system.
   b. Coordinate development of the final detailed catalog outline.
   c. Define Catalog database requirements.
   d. Establish weekly meeting of finacial committee (Janu, Lorry, Marly, Myself).
   e. Complete printer search and contract with new printer.
   f. Begin accessing Point Network beyond Gate 5 Road.
   g. J. Sumser Personal Schedule
      July 30 to August 14 East Coast...available on the phone or the WELL between 3:00 and 6:00pm Pacific time
      August 15 to August 29 West Coast....managing Point and house hunting.
      August 30 to September 10 .....Cross Country Travel. Well access each day available for scheduled conversation by phone. From Sept 10 on, Full time at point
   h. Begin detailed planning for founder's funeral party and whisper campaign. Party to be held in early to mid October.

6. Summary

The first two weeks of my tenure brought a noticeable change in momentum. The future looks bright. Firing Hank Roberts set a symbolic tone. Began managing the inevitable change in the Point-Well relationship. Great start!.

If you have any questions, I can be reached at:

410-848-3538 (recorder)
410-876-9416 (business line and fax)
jrsumser@well.sf.ca.us
415-332-1716 Point

I want to be clear that I see my role as a partnership with the editor. In general, external credibility is facilitated by title. Authority and leadership within the Point organization will not be built based on a title. The team at point is far too wary of new people to be swayed by title. The critical task within the organization is to build cohesiveness. This is best achieved with a consensus ethic, not authority.

To summarize, my choice of title is driven by external considerations.

4. The WELL

The Point-Well relationship is in a phase that is analogous to late adolescence. Through Point's long term nurturing, the WELL is becoming a feisty, independent entity. It is nearly ready to leave home.

Last year, the WELL had net earnings of at least $250K (or $25/share). As has been the case for the last 8 years, net earnings have been reinvested in the business. Point has foregone dividends on its investment, shared facilities and equipment and actively publicized this endeavor.

My very rough initial estimate of Point's net investment in the Well is something like $1.5M over that 8 year period. (Invested in a high risk growth fund, this sum would be worth about $2.5M in 1993 dollars). My investment figure includes the value of deferred earnings, free advertisements, facilities donations, time donations, etc.

Point has impoverished the Whole Earth Review to invest in the WELL. It has been a successful experiment. The net result, however, is that the WER staff works in squalor and sweatshop conditions while our offspring enjoys affluence. A few examples will highlight the disparity.

When Jon McIntire joined Point, he requested a stable chair for his desk. The chair cost about $300 and is the only solid chair in the organization. At the WELL, a low paid customer service technician uses an ergonomically correct chair which sells for $700.

At the Whole Earth Review, where graphics processing is a way of life, the computers are antiquated and slow. They are the real productivity constraints in the WER organization. At the WELL, which has little requirement for graphics, individual workstations dwarf the combined processing capabilities of all the computers at the WER.

While there are many reasons for the discrepancies between the organizations, the fact is that we have a very long pattern of investing in the experiment at the expense of the magazine. It's no wonder that there are productivity and morale problems. There has been effectively no increase in facilities or compensation at the magazine for nearly a decade. Wages have dropped from above the prevailing industry norms to well below them. External input used to be facilitated by the relative wealth of the organization. It has dried up as our team and facilities have degenerated to the point of squalor.

Any change in the texture of the Well-Point relationship will inevitably include some level of visible conflict. Like the adolescent in my original analogy, the WELL will have to face the consequences of independence. If Point is a good 'parent' we will continue our emotional support while allowing the WELL to make its own mistakes.

We should convene a short meeting of the board to discuss this issue.

Initial Report: First Two Weeks at Point

1. Introduction

I will be submitting a status and accomplishments report on a regular basis. This report will present progress, accomplishment and developing issues.

2. Notable Accomplishments by Point Team

a. Signing by Howard Rheingold of the Millennium Whole Earth Catalog contract. Check scheduled to arrive on Aug 2, 1993.
b. Agreement, in principle, to a budget that is approximately 10% below the value to Point of the MWEC contract.
c. Detailed interviews with each of the staff members (4-6 hours each)
d. Beginning of improved fiscal accountability in Well-Point relationship. (See attached)
e. Confirmation of decision to refuse partner's offer for Well stock.
f. Fired Hank Roberts. Net result should be improved productivity. The action points out the lack of a coherent severance policy
g. Breakfast meeting with Peggy Lauer (follow up call scheduled).
h. Established contingency fund plan. 9% of all revenue will be shunted to a 'rainy day' account. The account will be 'seeded' with an initial deposit of $50K from the catalog advance.
i. Established basic operating structure with Lorry Flemming and Marly Norris as key operating managers (Managing Editor and Publisher).
j. Conducted extensive background discussion with Stewart Brand.
k. Participated in baseline planning for catalog project.
l. Instituted mystery shopper telephone service.
m. Acquired basic operating equipment (powerbook etc.)
n. Established signature authority for checks. (Approval levels)
o. Created first draft of 'new' vacation/holiday/sick leave policy.
p. Laid groundwork for movement of majority of staff to salary.
q. Preparation and delivery of summary of job offer to John Skov, Chris Desser and Peggy Lauer.
r. Establishment of salary privacy policy.
s. Established basic principles and schedules for operations during my 'bi-coastal' transition (through September 10).
t. Received a commitment from Apple to supply 'some' of our equipment needs.
u. Received a cash contribution of $15K and a promise for an additional $15K on Jan 1 as a part of the 'Catalyst' program.
v. Authorized the hiring of new editorial assistant.
w. Authorized the hiring of library assistant with probationary period as unpaid intern.

3. In the job negotiations, there was some confusion about the title of the job. I have chosen to call myself the 'Executive Director'. For the following reasons:

a. The dimensions of the task include a near term requirement to deal with the Well-Point relationship on several levels.

b. Fundraising will increasingly dominate my attention over time. I believe that my success will be facilitated by the Title. There's a certain credibility in the world outside of Gate 5 Road that I gain from the title on my business card.

c. Some of the harsher actions required within Point will be easier for an 'Executive Director' supported by the board.

Ms. Christine Desser
2151 Pacific Ave
San Francisco, CA 94115

Ms. Peggy Lauer
Resource Renewal Center,
Ft. Mason Ctr., Bldg A
San Francisco, CA 94123

cc. John Skov, Janu Stein

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To P. LAUER	From J. SKOV
Co. RRI	Co.
Dept.	Phone #
Fax #	Fax #

July 29, 1993

I wanted to take a moment to restate the terms of my employment agreement with Point. I've also attached the first of a series of status reports.

In my phone conversation with Chris, we agreed to the following arrangement:

1. Moving expense reimbursement: A total not to exceed $5,000 to be paid in monthly increments of $500 (not taxable income!)

2. Acquisition of a MacIntosh Powerbook (mostly complete).

3. Salary
   a. First 90 Days: $3750 per month
   b. Second 90 Days: $4583.33 per month
   c. Third 90 Days and beyond: $5416.66 per month

4. Performance Targets and Termination Parameters
   We agreed to meet in Mid August to discuss performance targets and outline reasons and process for termination.

5. I agreed to work the first two weeks of my tenure without salary. Point agreed to reimburse me for my expenses including housing, transportation and food.

6. I am unclear about the reimbursement of expenses for the two weeks at the end of August. I have agreed to purchase the plane ticket.

7. There was some ambiguous discussion of job title. Essentially, I understood the agreement to be that I would be declared Executive Director in a very short time after I arrived. Please see the discussion in the attached status report.

It is with a great deal of pleasure and enthusiasm that I take on my new responsibilities with Point.

Sincerely,

John R. Sumser